

E-015/M-89-398 APPROVING CERTAIN REQUESTS FOR CONSERVATION IMPROVEMENT  
PROGRAM REVISIONS AND DENYING A REQUEST FOR REVISION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of the Implementation of an  
Energy Conservation Improvement Program  
for Minnesota Power Company

ISSUE DATE: September 14, 1990

DOCKET NO. E-015/M-89-398

ORDER APPROVING CERTAIN REQUESTS  
FOR CONSERVATION IMPROVEMENT  
PROGRAM REVISIONS AND DENYING A  
REQUEST FOR REVISION

PROCEDURAL HISTORY

On August 1, 1989, Minnesota Power Company (MP or the Company) submitted its annual Conservation Improvement Program (CIP) filing under Minn. Stat. §216B.241 (1988) and Minn. Rules, parts 7840.0200 et seq. On September 18, 1989, the Company filed an additional project proposal.

On February 5, 1990, the Commission filed its ORDER APPROVING CONSERVATION IMPROVEMENT PROGRAM, REQUIRING ADDITIONAL FILINGS, AND REQUIRING NEW PROJECT FILING. In that Order the Commission approved the Company's 1990 CIP proposal consisting of seven projects with a total budget of \$705,236. The Commission also required the Company to file a proposal for a new commercial and industrial incentive project, and to file status reports on all projects.

Since the Commission's February 5 Order, issues have been raised concerning five areas of MP's CIP proposal. On August 28, 1990, these matters came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

Proposed Small Commercial and Industrial Project

On April 5, 1990, MP filed a Small Commercial and Industrial Project pursuant to the Commission's February 5 Order. Reacting to generally unfavorable comments from the Department of Public Service (the Department), the Company submitted a substantially

revised filing on July 23, 1990. The Department filed responsive comments on August 7, 1990.

The final version of the Small Commercial and Industrial Project provides that commercial and industrial customers larger than 100 kW may submit bids for conservation grants. Eligible customers would be members of the General Service, Large Light & Power, and Municipal Street Lighting classes. Such customers could submit up to three projects for consideration. MP would review the grant applications using the following criteria to determine eligibility and priority for funding:

1. MP would select projects to maximize energy conservation while minimizing grant dollar cost per kilowatt.
2. Grant dollars would range from \$500 to \$1,000 per kilowatt.
3. Actual grant amounts would be set to achieve at most a three year payback.
4. The maximum amount granted to any one customer would be \$10,000.
5. MP would not fully underwrite the cost of any project.
6. MP would use the following guidelines in allocating grants to ensure distribution of funding to various end uses:
  - a. Lighting - 30%
  - b. Variable Frequency Drives and Motors - 30%
  - c. Process Modifications - 30%
  - d. Miscellaneous - 10%
7. Total funding for the project would be \$200,000, plus another \$22,500 in administrative expenses.

The Commission agrees with the Department's recommendation that MP's Small Commercial and Industrial Project be approved. The proposed bidding method would promote a competitive market for grant dollars. Valuable information about the market for commercial and industrial conservation methods would be gained and shared. The proposal is cost-effective according to two out of three tests applied by MP. The Commission will approve this proposed project.

#### Proposed Modification to Large Power Industrial Conservation Project

On April 30, 1990, MP filed a request for a modification of its Industrial Conservation project. Under the plan as originally approved by the Commission, MP would reimburse Large Power customers for up to 30% of the installed cost of specified conservation improvements, including high efficiency motors. In its April 30 filing the Company expressed concern that a 30% reimbursement would not be sufficient to induce customers to purchase and install high efficiency motors. MP requested that the Commission approve a Company payment of 100% of the cost difference between standard motors and high efficiency motors.

In a separate letter filing, the Company requested a clarification of whether or not the Industrial

Conservation project extended beyond the original date of July 1, 1990, to the end of 1990.

In comments dated May 18, 1990, the Department recommended that the Commission deny the request for modification.

The Commission agrees with the Department. CIP funds must be allocated as conservatively as possible in order to attain the maximum impact per dollar. If 30% reimbursement has in some instances been too low an incentive for motor replacement, it is entirely possible that a percentage greater than 30 but less than 100 might be the most effective. In addition, if a precedent of 100% Company reimbursement is set, it would be difficult to decrease the level in future years if it is found to be higher than necessary. For these reasons, the Commission will deny the Company's request for modification of this project.

#### Community Energy Council Audits in Park Rapids and Hibbing

On May 4, 1990, MP filed a request for a modification to its Community Energy Council Audits in Park Rapids and Hibbing. Under the Company proposal, the number of Park Rapids energy audits would increase from 55 to 300, and the number of Hibbing energy audits would increase from 60 to 125. The Company did not propose an increase in the total budget for the project.

The Company's proposed increase in energy audits will serve the affected communities by allowing more participants in the project. The increase will not work to the detriment of other conservation projects, since the budget for the audit project will not be raised. The Commission will approve the proposed modification to the Community Energy Council Audits in Park Rapids and Hibbing.

#### Contents of MP Status Reports

In its February 5 CIP Order, the Commission required the Company to file status reports on all projects on or before March 15. In a letter dated May 15, 1990, the Department recommended that future MP status reports should include the number of renter and low income participants in the CIP projects. The Commission finds that this information will be helpful in assessing CIP effectiveness among renters and low income households. The Commission will require that this information be included in future reports.

### Proposed Reductions in LIESH and EEH Projects

On July 23, 1990, MP filed a request to decrease the number of Low Income Electric Space Heat (LIESH) and Electric Energy Help (EEH) projects from 140 to 106 and from 605 to 455, respectively. A number of community-based organizations through which these projects are implemented had requested reductions in their 1990 goals. The requests were due to participation below projection, or time or staff constraints.

If these projects were scaled down, the LIESH budget would be reduced from \$249,000 to \$188,529 and the EEH budget would be reduced from \$68,500 to \$51,450. MP's total CIP budget would be reduced from \$760,486 to \$682,965.

The Commission agrees with the Department's recommendation that the proposed decreases be allowed. The requested reductions stem from the requests of community groups, not from Company reluctance to implement its CIP projects. The Commission will allow the requested modification to the LIESH and EEH projects.

### ORDER

1. Minnesota Power's proposed Small Commercial and Industrial project is hereby approved, subject to the Company guidelines hereinbefore listed.
2. Minnesota Power's request to fund 100% of the cost difference between standard and high-efficiency motors in the Large Power Industrial Conservation project is hereby denied. The project as currently defined is approved for all of the calendar year 1990.
3. Minnesota Power's proposed increase in Energy Council Audits in Park Rapids and Hibbing is hereby approved.
4. Future Minnesota Power CIP status reports shall indicate the number of renter and low-income CIP participants.
5. Minnesota Power's proposed reduction in the LIESH and EEH projects is hereby approved.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)